



Actuarial Section

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Like so many modern retirees, Phyllis Barton has continued pursuing her career during retirement. Previously, Phyllis worked for the Family and Social Services Administration (FSSA) as a Human Services Consultant. After nearly 26 years with the agency, she decided to leave her position and join the private sector. This allowed her to take her PERF retirement.

"It just made sense to me financially to draw my benefit and pursue another job. I'm really fortunate to be able to utilize the knowledge and skills I've acquired through my years of service to the state in a way that benefits me now, and also allows me to put away more money for my family's future," said Phyllis.

Born in Indianapolis, Phyllis received a degree in social work from Ball State University in 1970. After working as a homemaker for several years, she decided to return to the workforce. The FSSA offered her the opportunity to be of service to families and children, while also supporting her own children.

Now she has the best of both worlds. She can pursue a fulfilling career and supplement the vacations she often dreamed of taking. "I'm planning to travel a bit now that I've retired with PERF," she said. "I've always wanted to see more of this country and revisit Canada, and now I can. My first trip will probably be to beautiful Mackinac Island, in Michigan, which is sort of a theme park for grown-ups."

Actuary's Certification Letter**McCready and Keene, Inc.**

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July 20, 2007

Indiana Public Employees' Retirement Fund
Board of Trustees
143 West Market Street, Suite 500
Indianapolis, IN 46204

Dear Members of the Board:

Certification of Actuarial Valuations

The actuarial data presented in this report describes the current actuarial condition of the defined benefit pension plans ("Plans") administered by the Indiana Public Employees' Retirement Fund ("PERF"). Valuations are prepared annually as of July 1 for all Plans except the 1977 Police Officers' and Firefighters' Pension and Disability Fund which is annually as of Jan. 1.

Under PERF statutes, employer contribution rates are certified annually for each Plan by the Board of Trustees. These rates are determined actuarially, based on the Board's funding policy.

Contribution rates for the PERF Plan as determined by a given actuarial valuation become effective eighteen months after the valuation date (12 months for state employees). For example, the rates determined by the July 1, 2006, actuarial valuation will be used by the Board when certifying the employer contribution rates for the year beginning Jan. 1, 2008, (or for the year beginning July 1, 2007, for state employees). If new legislation is enacted between the valuation date and the date the contribution rates become effective, the Board may adjust the recommended rates before certifying them, in order to reflect this new legislation. Such adjustments are based on information supplied by the actuary.

Funding Objectives and Funding Policy

In setting contribution rates, the Board's principal objectives have been:

- to set rates so that the unfunded actuarial accrued liability ("UAAL") will be amortized over a fixed period
- to set rates so that they remain relatively level over time

To accomplish this, the Board's funding policy requires that the employer contribution rate be equal to the sum of the employer normal cost rate (which pays the current year's cost) and an amortization rate which results in the amortization of the UAAL in equal installments. The Board has adopted smoothing rules to the determination of the employer contribution rate to reduce the variability of these rates.

No membership growth is anticipated in setting the contribution rate. This is consistent with GASB #25, which prohibits anticipating membership growth in determining the minimum Annual Required Contribution ("ARC"). Under this policy, the objectives of amortizing the UAAL and maintaining relatively level contribution rates over time are achieved.

Progress Toward Realization of Financing Objectives

The funded ratio (the ratio of the actuarial value of assets to the actuarial accrued liability) is a standard measure of a Plan's funded status. In the absence of benefit improvements, it should increase over time, until it reaches 100%. The combined funded ratio for all Plans has increased from the preceding year due primarily to favorable actuarial experience gains.

Benefit Provisions

The benefit provisions reflected in this report are those which were in effect on each Plan's valuation date.

*Actuary's Certification Letter***Assumptions and Methods**

Actuarial assumptions and methods used in the valuation are set by the Board, based upon the recommendations of the actuary. The actuary reviews actual plan experience before making these recommendations. The last such review of actuarial assumptions was carried out in connection with the July 1, 2006, actuarial valuation for the PERF Plan and the Jan. 1, 2003, actuarial valuation for the 1977 Municipal Police and Fire pension plan.

Data

Member data for retired, active and inactive members was supplied as of each Plan's valuation date by IOT Pensions, a data vendor for PERF. We did not audit this data, but we did apply a number of tests to the data, and we concluded that it was reasonable and consistent with the prior year's data. Asset information for each Plan was supplied by PERF and IOT Pensions.

Certification

We certify that the information presented herein is accurate and fairly portrays the actuarial position of each Plan administered by PERF as of each Plan's 2006 valuation date.

We prepared the exhibits in the "Actuarial Section" which include Summary of Actuarial Assumptions and Methods, the Reconciliation of Changes in Unfunded Actuarial Accrued Liabilities, the Solvency Tests, the Schedules of Active Member Valuation Data, and the Schedules of Retirants and Beneficiaries. In addition, we prepared the Schedules of Funding Progress and Schedules of Employer Contributions in the "Financial Section."

All of our work conforms with generally accepted actuarial principles and practices, and with the Actuarial Standards of Practice issued by the Actuarial Standards Board. In our opinion, our calculations also comply with the requirements of Indiana state law and, where applicable, the Internal Revenue Code, Employee Retirement Income Security Act (ERISA), and the Statements of the Governmental Accounting Standards Board. We are each independent Enrolled Actuaries and Members of the American Academy of Actuaries and experienced in performing valuations for large public retirement systems.

If you have any questions or require additional information, please don't hesitate to contact us.



Douglas Todd
A.S.A., M.A.A.A., E.A.
Senior Actuary



Richard E. Lenar
F.S.A., M.A.A.A., E.A.
Chief Actuary

Summary of Actuarial Assumptions and Methods as of July 1, 2006

Note 1: Prior to July 1, 2003, the COLA assumption was assumed to be 2 percent for the remaining lifetime of the benefit recipient. Effective July 1, 2003, the time period for the actuarial assumption for COLA was changed from the remaining lifetime of the benefit recipient to five years from the valuation date. This change was applied to the Indiana Public Employees' Retirement Fund (PERF); the State Excise Police, Gaming Agent and Conservation Enforcement Officers' Retirement Plan; and the Legislators' Defined Benefit Plan.

Note 2: Effective July 1, 2004, the COLA assumption was assumed to be 0.5 percent for the remaining lifetime of the benefit recipient. Effective July 1, 2005, the COLA assumption was assumed to be 1 percent for the remaining lifetime of the benefit recipient. Effective July 1, 2006, the COLA assumption was assumed to be 1.5 percent for the remaining lifetime of the benefit recipient. These changes were applied to the Indiana PERF; the State Excise Police, Gaming Agent and Conservation Enforcement Officers' Retirement Plan; and the Legislators' Defined Benefit Plan. PERF plans to maintain the COLA assumption at 1.5 percent for the remaining lifetime of the benefit recipient.

Note 3: All systems are using the 1994 U.S. UP-94 (sex distinct) for post-retirement.

Note 4: Actuarial funding method for all systems is Entry Age Normal Cost, except for the Accrued Benefit (Unit Credit) funding method that is used for the Legislators' Defined Benefit Plan. Actuarial experience gains and losses are amortized on a level dollar basis for all systems. The amortization period is closed for all systems except the 1977 Police Officers' and Firefighters' Pension and Disability Fund which has an open amortization period.

Note 5: Actuarial asset valuation method phases in the difference between expected investment return and actual investment return over a 4-year period for all systems except PERF where valuation assets are equal to 75 percent of expected actuarial value plus 25 percent of market value.

Public Employees' Retirement Fund

July 1, 2006 Actuarial Valuation

Investment Return	Post-Retirement COLA	Salary Scale		Retirement Rates		Disability Rates			Termination Rates		
7.25%	1.5%	Based on PERF Exp. 2000-2005 Sample Rates:		Based on PERF Exp. 2000-2005 Sample Rates:		Based on PERF Exp. 2000-2005 Sample Rates:			Based on PERF Exp. 2000-2005 Ultimate Sample Rates:		
		Age	Rate	Age	Rate	Age	Male Rate	Female Rate	Age	Male Rate	Female Rate
		25	4%	60	10%	45	0.11%	0.09%	25	2%	2%
		35	4	62	22	50	0.20	0.16	30	2	2
		45	4	65	33	55	0.35	0.28	35	2	2
		60	4	70	30	60	0.62	0.49	45	2	2

Judges' Retirement System

July 1, 2006 Actuarial Valuation

Investment Return	Post-Retirement COLA	Salary Scale	Retirement Rates		Disability Rates		Termination Rates	
7.25%	4% for 1977 System None for 1985 System	4%	Based on Experience, Sample Rates:		1964 OASDI Sample Rates:		Based on Experience, Sample Rates:	
			Age	Male and Female	Age	Male and Female	Age	Male and Female
			62	25%	40	0.22%	30	4%
			64	10	50	0.61	40	4
			65	25	60	1.63	50	4
			75	100	64	2.32	55	4

Summary of Actuarial Assumptions and Methods as of July 1, 2006

State Excise Police, Gaming Agent and Conservation Enforcement Officers' Retirement Plan

July 1, 2006 Actuarial Valuation

Investment Return	Post-Retirement COLA	Salary Scale	Retirement Rates		Disability Rates		Termination Rates	
7.25%	1.5%	4.5%	Based on Experience of Current Retirees Sample Rates:		150% of 1964 OASDI Sample Rates:		Sarason T-1 Sample Rates:	
			Age	Male and Female	Age	Rate	Age	Male and Female
			50	3%	40	0.33%	30	3.7%
			53	3	50	0.91	40	1.1
			56	6	60	2.44	50	0.0
			60	100	64	3.48	55	0.0

1977 Police Officers' and Firefighters' Pension and Disability Fund

Jan. 1, 2006 Actuarial Valuation

Investment Return	Post-Retirement COLA	Salary Scale	Retirement Rates		Disability Rates		Termination Rates	
7.25%	2.75%	4%	Based on Actuarial Exp. Study 1998-2002 Sample Rates:		150% of 1964 OASDI Sample Rates:		Sarason T-1 Sample Rates:	
			Age	Male and Female	Age	Male and Female	Age	Male and Female
			50-51	10%	40	0.33%	30	3.7%
			52-64	20	50	0.91	40	1.1
			65-69	50	60	2.44	50	0.0
			70+	100	64	3.48	55	0.0

Prosecuting Attorneys' Retirement Fund

July 1, 2006 Actuarial Valuation

Investment Return	Post-Retirement COLA	Salary Scale	Retirement Rates		Disability Rates			Termination Rates
7.25%	None	4%	Later of (a) age 65 or (b) 8 years of service		Based on PERF Exp. 2000-2005 Sample Rates:			10% per year
					Age	Male Rate	Female Rate	
					45	0.11%	0.09%	
					50	0.2	0.16	
					55	0.35	0.28	
					60	0.62	0.49	

*Summary of Actuarial Assumptions and Methods as of July 1, 2006***Legislators' Defined Benefit Plan**

July 1, 2006 Actuarial Valuation

Investment Return	Post-Retirement COLA	Salary Scale	Retirement Rates		Disability Rates		Termination Rates	
7.25%	1.5%	3%	Based on Experience Sample Rates:		75% of 1964 OASDI Sample Rates:		Sarason T-2 Sample Rates:	
			Age	Male and Female	Age	Male and Female	Age	Male and Female
			55	10%	40	0.17%	30	5.1%
			58-61	2	50	0.45	40	3.5
			62-64	5	60	1.22	50	0.4
			65	50	64	1.74	55	0.0

Reconciliation of Changes in Unfunded Actuarial Accrued Liabilities

(dollars in thousands)

System	July 1, 2005 (UAAL) ²	Amortized Payments	Interest for Year	Liability (Gain)/Loss	Asset (Gain)/Loss	Change in Benefit Provisions or Assumption	July 1, 2006 UAAL
Public Employees' Retirement Fund	\$386,385	\$(29,604)	\$25,867	\$(32,257)	\$(62,751)	\$(14,683)	\$272,957
Judges' Retirement System	121,852	(9,588)	8,139	3,075	(10,554)	(18,203)	94,721
State Excise Police, Gaming Agent and Conservation Enforcement Officers' Retirement Plan	18,301	(1,431)	1,223	3,215	(2,910)	(2,129)	16,269
1977 Police Officers' and Firefighters' Pension and Disability Fund ¹	87,266	(11,719)	5,477	90,510	(104,467)	0	67,067
Prosecuting Attorneys' Retirement Fund	8,869	(683)	593	4,924	(1,081)	(3,492)	9,130
Legislators' Retirement System	661	(64)	43	(8)	(304)	183	511

¹Beginning date of 1-1-2005 rather than 7-1-2005, and ending date of 1-1-2006 rather than 7-1-2006.

²UAAL = Unfunded Actuarial Accrued Liability.

Solvency Test

(dollars in thousands)

System	As of July 1	Actuarial Accrued Liabilities			
		(1) Active Member Contributions	(2) Retirees and Beneficiaries	(3) Active Member (Employer Financed Portion)	(4) Total Actuarial Accrued Liabilities
Public Employees' Retirement Fund	2001 ¹	\$1,728,972	\$2,426,062	\$4,150,638	\$8,305,672
	2002 ¹	1,886,124	2,582,149	4,597,859	9,066,132
	2003 ¹	1,971,864	2,764,974	4,297,735	9,034,573
	2004 ¹	2,211,326	2,927,884	4,705,143	9,844,353
	2005 ¹	2,382,280	3,301,265	5,174,777	10,858,322
	2006 ¹	2,515,984	3,648,764	5,286,181	11,450,928
Judges' Retirement System	2001	\$ 15,661	\$ 96,854	\$ 76,095	\$ 188,610
	2002	16,892	86,997	84,545	188,434
	2003 ¹	12,595	111,781	82,470	206,846
	2004	18,415	105,922	85,655	209,992
	2005	19,515	137,631	115,709	272,855
	2006 ^{1,2}	20,861	134,272	117,865	272,997
State Excise Police, Gaming Agent and Conservation Enforcement Officers' Retirement Plan	2001	\$ 3,026	\$ 17,116	\$ 31,882	\$ 52,024
	2002	3,102	18,770	34,012	55,884
	2003 ¹	3,103	17,630	31,274	52,006
	2004 ¹	3,613	17,788	28,608	50,010
	2005 ¹	3,488	18,907	37,569	59,964
	2006 ^{1,2}	3,644	20,870	40,251	64,765
1977 Police Officers' and Firefighters' Pension and Disability Fund (As of 1-1 instead of 7-1)	2001	\$ 238,840	\$ 384,128	\$ 997,326	\$1,620,294
	2002	273,787	447,042	1,087,925	1,808,754
	2003 ¹	307,929	457,766	1,001,150	1,766,846
	2004	344,775	452,755	1,077,988	1,875,518
	2005	362,908	436,606	1,264,657	2,064,171
	2006	403,643	503,498	1,507,912	2,415,053
Prosecuting Attorneys' Retirement Fund	2001 ²	\$ 8,203	\$ 2,162	\$ 10,052	\$ 20,417
	2002	9,361	1,965	11,060	22,386
	2003 ¹	9,489	2,084	4,113	15,685
	2004	12,237	2,419	7,932	22,588
	2005	13,132	2,303	10,309	25,744
	2006 ¹	14,893	2,252	12,039	29,184
Legislators' Defined Benefit Plan	2001	\$ 0	\$ 2,431	\$ 3,077	\$ 5,508
	2002	0	2,326	3,177	5,503
	2003 ¹	0	2,278	2,670	4,948
	2004 ¹	0	2,128	2,728	4,856
	2005 ¹	0	2,121	2,878	4,999
	2006 ¹	0	2,270	2,962	5,232

¹Actuarial assumptions and/or methods revised.

²Improvement in benefit provisions.

*Solvency Test (continued)**(dollars in thousands)*

System	Actuarial Value of Assets	Portion of Actuarial Accrued Liabilities Covered by Assets			
		(1)	(2)	(3)	(4)
Public Employees' Retirement Fund	\$8,723,304	100.0%	100.0%	100.0%	105.0%
	8,994,854	100.0	100.0	98.4	99.2
	9,293,952	100.0	100.0	100.0	102.9
	9,853,976	100.0	100.0	100.0	100.1
	10,471,937	100.0	100.0	92.5	96.4
	11,177,971	100.0	100.0	94.8	97.6
Judges' Retirement System	\$ 115,040	100.0%	100.0%	3.3%	61.0%
	121,155	100.0	100.0	20.4	64.3
	126,152	100.0	100.0	2.2	61.0
	135,798	100.0	100.0	13.4	64.7
	151,003	100.0	95.5	0.0	55.3
	178,276	100.0	100.0	19.6	65.3
State Excise Police, Gaming Agent and Conservation Enforcement Officers' Retirement Plan	\$ 36,921	100.0%	100.0%	52.6%	71.0%
	37,360	100.0	100.0	45.5	66.9
	37,286	100.0	100.0	52.9	71.7
	38,772	100.0	100.0	60.7	77.5
	41,663	100.0	100.0	51.3	69.5
	48,496	100.0	100.0	59.6	74.9
1977 Police Officers' and Firefighters' Pension and Disability Fund	\$1,491,030	100.0%	100.0%	87.0%	92.0%
	1,615,245	100.0	100.0	82.2	89.3
	1,660,445	100.0	100.0	89.4	94.0
	1,797,124	100.0	100.0	92.7	95.8
	1,976,905	100.0	100.0	93.1	95.8
	2,347,986	100.0	100.0	95.6	97.2
Prosecuting Attorneys' Retirement Fund	\$ 11,073	100.0%	100.0%	7.0%	54.2%
	11,957	100.0	100.0	5.7	53.4
	12,758	100.0	100.0	28.8	81.3
	14,655	100.0	99.9	0.0	64.9
	16,876	100.0	100.0	14.0	65.6
	20,053	100.0	100.0	24.2	68.7
Legislators' Defined Benefit Plan	\$ 4,666	N/A	100.0%	72.6%	84.7%
	4,446	N/A	100.0	66.7	80.8
	4,200	N/A	100.0	72.0	84.9
	4,206	N/A	100.0	76.2	86.6
	4,339	N/A	100.0	77.0	86.8
	4,721	N/A	100.0	82.8	90.2

Schedules of Active Member Valuation Data

(dollars in thousands – except average)

System	As of July 1	Active Members	Active Members		
			Annual Payroll	Average Pay	Percent Increase
Public Employees' Retirement Fund	2001	145,019	\$3,587,080	\$24,735	4.1%
	2002	143,234	3,785,242	26,891	8.7
	2003	143,082	3,952,230	28,226	5.0
	2004	142,913	4,198,942	29,489	4.5
	2005	141,428	4,318,450	30,535	3.5
	2006	140,563	4,322,180	30,749	4.3
Judges' Retirement System	2001	328	\$ 29,748	\$90,695	0.1%
	2002	282	25,805	91,507	0.9
	2003	278	25,400	91,367	(0.2)
	2004	275	25,693	93,431	2.3
	2005	282	32,231	114,293	22.3
	2006	274	34,065	124,323	8.8
State Excise Police, Gaming Agent and Conservation Enforcement Officers' Retirement Plan	2001	255	\$ 12,486	\$48,966	13.0%
	2002	254	12,654	49,818	1.7
	2003	254	11,944	47,024	(5.6)
	2004	251	10,209	40,675	(13.5)
	2005	262	13,223	50,469	24.1
	2006	310	14,892	48,039	(4.8)
1977 Police Officers' and Firefighters' Pension and Disability Fund	2001	10,388	\$ 389,200	\$37,466	3.4%
	2002	10,179	396,246	38,928	3.9
	2003	10,737	432,954	40,324	3.6
	2004	11,238	469,750	41,800	3.7
	2005	11,424	493,707	43,217	3.4
	2006	11,728	522,227	44,528	3.0
Prosecuting Attorneys' Retirement Fund	2001	211	\$ 13,636	\$64,624	15.6%
	2002	205	14,438	70,427	9.0
	2003	218	13,159	60,360	(14.3)
	2004	214	15,149	70,790	17.3
	2005	220	16,659	75,724	7.0
	2006	218	19,225	88,188	16.5
Legislators' Defined Benefit Plan ¹	2001	58	N/A	N/A	N/A
	2002	58	N/A	N/A	N/A
	2003	55	N/A	N/A	N/A
	2004	50	N/A	N/A	N/A
	2005	48	N/A	N/A	N/A
	2006	46	N/A	N/A	N/A

¹Benefits are not based on annual payroll.

Schedules of Retirants and Beneficiaries

(dollars in thousands – except average)

System	Year Begin July 1	Added to Rolls		Removed from Rolls		Rolls - End of Year		% Increase in Annual Allowances ¹	Average Annual Allowances ¹
		No.	Annual Allowances ¹	No.	Annual Allowances ¹	No.	Annual Allowances ¹		
Public Employees' Retirement Fund	2000	3,040	\$ 19,133	1,576	\$ 6,154	50,769	\$ 244,320	6.3%	\$ 4,812
	2001	3,874	23,742	3,551	15,771	51,092	263,010	7.6	5,163
	2002	3,978	31,424	2,114	9,216	52,956	289,667	10.1	5,470
	2003	3,975	34,244	2,577	12,511	54,354	325,711	12.4	5,992
	2004	4,499	35,845	1,732	8,358	57,121	354,285	8.8	6,202
	2005	3,403	29,572	2,241	14,440	58,283	377,611	6.6	6,479
1977 and 1985 Judges' Retirement System	2000	20	\$ 935.8	7	\$ 175.0	242	\$ 8,484.8	8.5%	\$35,061
	2001	11	424.4	18	838.2	235	8,031.0	(5.3)	34,174
	2002	28	1,385.9	5	166.4	258	9,915.0	23.5	38,430
	2003	8	313.4	4	207.5	262	9,853.7	(0.6)	37,609
	2004	13	667.0	11	374.2	264	12,272.1	24.5	46,485
	2005	12	867.8	7	474.4	269	12,983.4	5.8	48,266
State Excise Police, Gaming Agent and Conservation Enforcement Officers' Retirement Plan	2000	10	\$ 223.7	7	\$ 66.2	122	\$ 1,470.1	13.6%	\$12,050
	2001	7	154.1	1	16.4	128	1,619.3	10.1	12,651
	2002	5	107.6	5	54.2	128	1,672.6	3.3	13,067
	2003	4	116.3	4	58.4	128	1,738.2	3.9	13,580
	2004	4	114.1	4	65.1	128	1,787.2	2.8	13,962
	2005	5	126.9	1	26.0	132	1,888.1	5.6	14,304
1977 Police Officers' and Firefighters' Pension and Disability Fund (As of 1-1 instead of 7-1)	2000	134	\$2,070.9	63	\$ 805.1	1,717	\$27,729.3	7.9%	\$16,150
	2001	275	4,477.4	126	1,336.5	1,866	31,587.3	13.9	16,928
	2002	90	1,558.4	50	766.7	1,906	34,088.4	7.9	17,885
	2003	65	1,319.5	65	1,215.4	1,906	34,257.5	0.5	17,974
	2004	14	255.0	22	387.4	1,898	33,705.7 ²	(1.5)	17,759 ²
	2005	257	5,492.7	28	553.6	2,127	38,647.7	14.7	18,170
Prosecuting Attorneys' Retirement Fund	2000	2	\$ 16.0	0	\$ 0.0	19	\$ 236.1	7.3%	\$12,429
	2001	0	0.0	1	17.1	18	216.2	(8.5)	12,009
	2002	1	30.6	2	21.3	17	225.5	4.3	13,266
	2003	2	38.1	1	7.0	18	256.7	13.8	14,259
	2004	0 ²	0.0 ²	0 ²	0.0	18	249.0	(3.0)	13,831
	2005	0	0.0	0	0.0	18	249.3	0.1	13,850
Legislators' Defined Benefit Plan	2000	5	\$ 37.1	2	\$ 13.0	35	\$ 237.3	12.3%	\$ 6,779
	2001	0	0.0	1	5.4	34	232.0	(2.2)	6,822
	2002	9	30.5	4	14.3	39	245.7	5.9	6,301
	2003	0	0.0	0	0.0	39	245.8	0.0	6,303
	2004	0 ²	0.0	0	0.0	39 ²	244.4	(0.5) ²	6,268
	2005	2	11.5	2	9.1	39	259.7	6.2	6,658

¹For PERF only, this includes employee annuities.²Prior data has been restated.

